

CHAPTER 1-24 INSURANCE

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1-24-001-0001 PURPOSE

The purpose of the self-insurance trust fund is to pay benefits, losses, and claims. (Ord. 2010-13, Amended, 05/18/2010; Ord. 2016-06, Amended, 09/06/2016)

1-24-001-0002 DEFINITIONS

In this chapter unless the context otherwise requires:

ADMINISTRATOR: The risk management consultant or insurance administrator who shall be licensed pursuant to A.R.S. Section 20-281 et seq. (Insurance Provider Licensing) or certified as an insurance administrator under A.R.S. Section 20-485 et seq. (Insurance Administrators).

CITY: The City of Flagstaff, Arizona, including public officials, boards, commissions, employees and supervised volunteers, while performing duties for the City within the scope of employment.

DECLARATION OF TRUST AGREEMENT: The agreement entered into by the City and the trustees, setting forth the powers and duties of the trustees and the Administrator; a stop loss provision; and other terms and conditions.

FUND OR TRUST: The self-insurance trust fund.

LIABILITY LOSS: Defense and damages for losses to persons or property for which the City is liable.

PROPERTY LOSS: Damage to tangible City-owned property by an accidental event but not property of public officials, boards, commissions, employees or volunteers.

UNEMPLOYMENT COMPENSATION LOSSES: Those charges imposed upon the City by Federal and State

unemployment compensation laws.

WORKER'S COMPENSATION LOSSES: Those losses for which the City is liable subject to Arizona Revised Statutes Title 23. (Ord. 2010-13, Amended 05/18/2010; Ord. 2016-06, Amended, 09/06/2016)

1-24-001-0003 SELF-INSURANCE TRUST FUND

- A. The self-insurance trust fund shall be funded in amount determined appropriate by the City Council.
- B. The self-insurance trust fund shall provide defense and payment of losses and claims for property, liability, unemployment compensation, worker's compensation; health, accident, life, disability or other benefits for the employees and officers of the City and their dependents; payment of insurance premiums; and risk management consultation; subject to the following exceptions:
- C. Exceptions:
 - 1. Claims or punitive damages arising out of the willful violation of a penal statute or ordinance.
 - 2. Claims arising out of acts of bad faith and/or fraud.
 - 3. Other items deemed inappropriate by the City Manager or Administrator. (Ord. 2010-13, Amended, 05/18/10; Ord. 2016-06, Amended, 09/06/2016)

1-24-001-0004 BOARD OF TRUSTEES

- A. The City Council shall appoint five (5) trustees to serve as the Board of Trustees of the self-insurance trust fund. Each trustee will serve a three (3) year term, except initial appointments shall be staggered as follows: three (3) trustees shall be appointed for a three (3) year term, and two (2) trustees shall be appointed for a two (2) year term.
- B. All trustees must be residents of the City. No more than one (1) trustee may be a City Council member. No more than one (1) trustee may be a City employee.
- C. No person shall qualify as a trustee until he or she has been bonded. The bond requirement may be satisfied by the blanket performance bond or other coverage provided by the City.
- D. Trustees are subject to removal and substitution by the City Council with or without cause. Upon expiration of his or her term, a trustee may be reappointed by City Council. (Ord. 2016-06, Enacted, 09/06/2016)

1-24-001-0005 POWERS AND DUTIES OF BOARD OF TRUSTEES

- A. The Board of Trustees shall administer the self-insurance program of the City in the manner prescribed by A.R.S. Section 11-981 and in the declaration of trust agreement, and shall perform such other duties as may be delegated by the City Council from time to time.
- B. The Board of Trustees shall meet at least once a year to:

1. Retrospectively review all aggregated expenditures, including paid claims;
2. Make recommendations to the City Council, through the City Manager, regarding the amount of funding to achieve and maintain adequate reserves in the trust, the investment and administration of the trust, and approval of actuarial assumptions;
3. Make other recommendations to the City Council that the trustees deem necessary and appropriate; and
4. Submit an annual report to the City Council through the City Manager relating to the status of the trust. (Ord. 2010-13, Amended, 05/18/10; Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0004)

1-24-001-0006 ADMINISTRATOR

- A. The City shall designate a qualified administrator for the self-insurance trust fund to provide such advice and assistance as the City Manager shall request.
- B. The financial activities, management and business affairs of the self-insurance trust fund shall be managed effectively and efficiently by the Administrator in consultation with the Management Services Director and the Finance Director.
- C. The Administrator shall submit a report on the status of the trust to the Board of Trustees at least annually. (Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0005)

1-24-001-0007 CITY ATTORNEY SALARY EXPENSE

The direct cost of salary expense for the City Attorney in matters of litigation shall be an eligible charge to the fund. (Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0006)

1-24-001-0008 SETTLEMENT OF CLAIMS

The City Manager or designee shall have the authority to settle and authorize payment of claims against the City up to the amount of fifty thousand dollars (\$50,000.00). Any settlement in excess of this amount shall require approval of the City Council. (Ord. 1984, Amended, 10/06/98; Ord. 2008-27, Amended, 10/07/08; Ord. 2016-12, Amended, 03/22/16; Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0007)

1-24-001-0009 EXCESS INSURANCE

The City shall purchase excess insurance above the risk retention limit approved by the City Council. (Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0008)

1-24-001-0010 TRUST FUND NOT SUBJECT TO BUDGET LAW

Expenditures during the fiscal year from the trust fund and monies in the trust fund at the close of the fiscal year shall not be subject to the local government budgeting provisions of A.R.S. Section 42-17101 et seq. The self-

insurance trust fund shall be audited annually as required by the City Charter, Article VI, Section 5. Said report shall be kept on file with the City Clerk for a minimum of five (5) years. (Ord. 1463, 08/19/86; Ord. 2016-06, Amended, 09/06/2016. Formerly 1-24-001-0009)